New Mexico Legislative Council Service

New Mexico Legislative Finance Committee

New Mexico Economic Summary

July 2012

Share of Income Shifts Toward Top Earners; New Mexico Among the Most Unequal

The portion of the U.S. economic pie going to the highest income households – and particularly the super-wealthy – has grown over the last three decades, while the share going to lower-income households has fallen. The income gap, both among households and areas of the state, is especially wide in New Mexico.

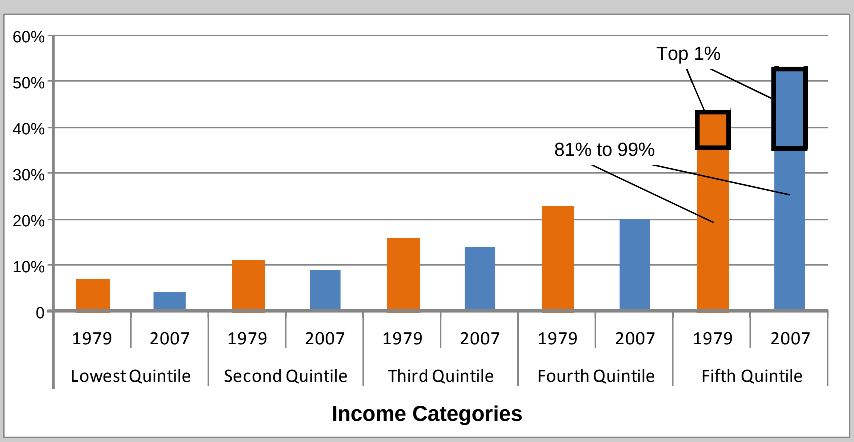
These findings come from separate studies. In a study published in October 2011, the Congressional Budget Office (CBO) found that only those households in the highest 20% of the population in terms of after-tax income saw their share of the income pie grow from 1979 to 2007. Their share grew from 43% of total U.S. after-tax household income to 53%, while the share of the pie for all other income groups shrank during this period, as shown in the graph below. The CBO study compared the shares of U.S. household income, after adjusting for inflation, taxes and government transfer payments (e.g., Social Security, unemployment insurance, food stamps, etc.).

Further, almost all of the growth of the share of after-tax income going to the top 20% of households is due to a doubling of the share of income going to the households in that group with the very highest incomes – the wealthiest 1% of households. The share of total household income going to the top 1% of households grew from 8% in 1979 to 17% in 2007.

The share of after-tax income going to the bottom 20% of households fell to 5% in 2007 from 7% in 1979, and the shares going to the three middle-income quintiles fell two to three percentage points during this same period.

Two factors led to this increase in income inequality. First, all sources of "market income" were less evenly distributed in 2007 than in 1979. Market income includes wages, fringe benefits, business income, interest and capital gains. Further, the share of income generated by the U.S. economy that is attributable to the income sources concentrated among the higher-income groups – specifically business income and capital gains – increased during this period, while the share of U.S. income relied upon by lower-income groups – wages and interest earnings – declined.

Shares of Household Income After Transfer Payments and Federal Taxes - 1979 and 2007



Note: Income categories are defined by ranking all U.S. households by their size-adjusted income. Quintiles contain equal numbers of people. The lowest quintile is the one-fifth (20%) of U.S. households with the lowest income.

Source: Congressional Budget Office

New Mexico Among the States with Most Unequal Distribution of Income

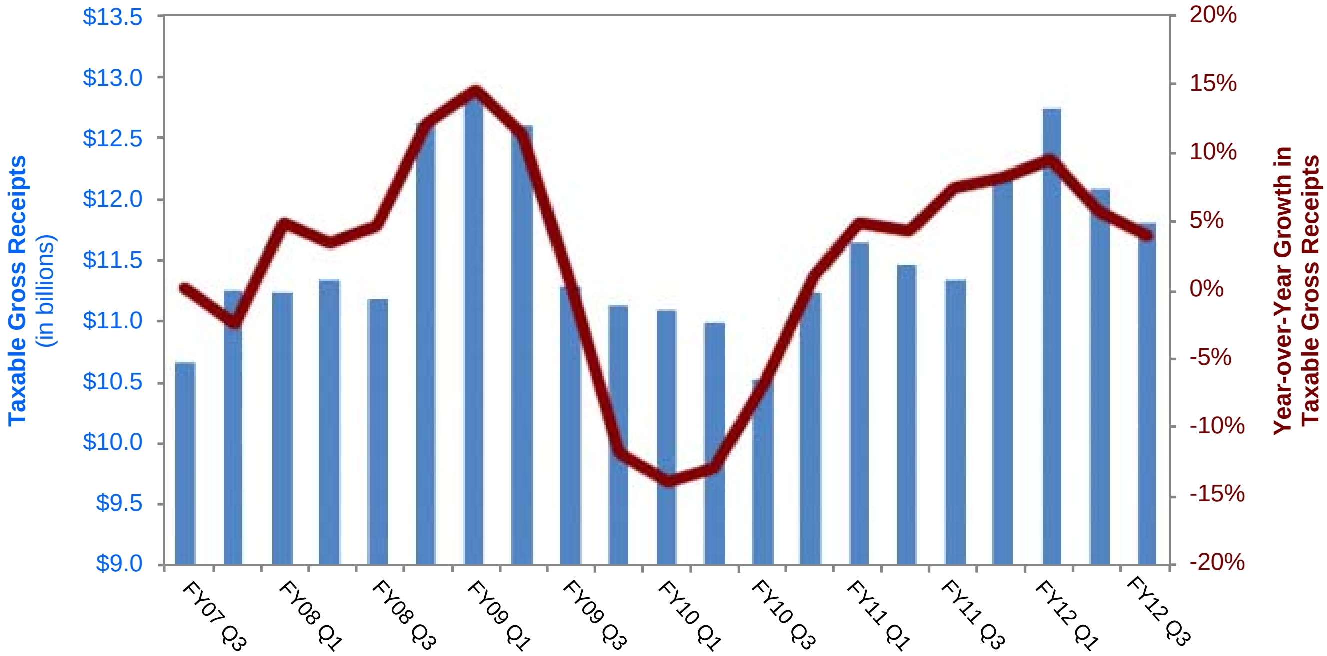
A separate state-by-state analysis of income trends by the Center on Budget and Policy Priorities and the Economic Policy Institute (*Pulling Apart: A State-by-State Analysis of Income Trends*) reached similar conclusions and also found that New Mexico was among those states with the widest income gap, as shown in the ratio of incomes table on page 4. The study used U.S. Census Bureau annual family incomes during 2004 through 2006 for each of the 50 states to calculate the ratio of the average income of those families in the top 20% of the income spectrum to the average income for those families in the bottom 20%.

New York showed the greatest income disparity, with an average income of $148,192 among the top 20% of families compared to an average income of $17,107 among the bottom 20%, for a top-to-bottom ratio of 8.7. New Mexico ranked sixth, with a top-to-bottom ratio of 8.0, an average income of $118,608 among the top 20% of families and an average income of $14,798

(Continued on page 4)

Taxable Gross Receipts

Taxable Gross Receipts by Quarter



Source: Legislative Finance Committee

► Growth in taxable gross receipts (TGR) increased to 9.4% in the first quarter of FY12 from 8.3% during the fourth quarter of FY11 but declined to 4% in the third quarter of FY12.

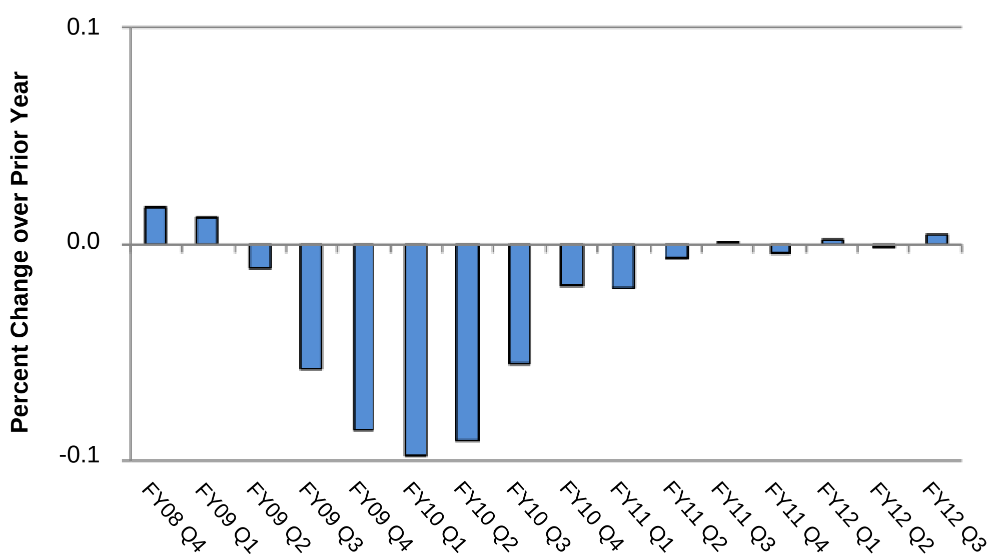
► Strong growth in FY11 and FY12 follows declines in FY10.

► TGR was increasing to peak levels from early FY09, but in the last two quarters, it has begun to decline again. The high growth in TGR came from the mining and oil and gas extraction industry, but with natural gas and oil prices beginning to stabilize or decline, the high growth is not expected to continue into FY13.

Employment

New Mexico Employment Growth

► New Mexico experienced declines in non-farm employment from the second quarter of FY09 through FY11. Year-over-year growth in non-farm employment returned in FY12, with a slight decline in employment in the second quarter, but it is expected to grow at a very slow rate in 2012.



Source: BBER July 2012

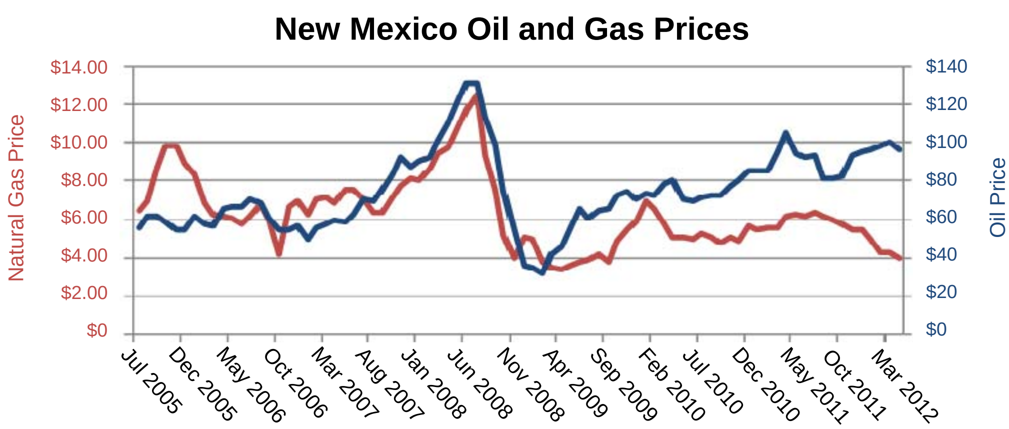
U.S. and New Mexico Economic Outlook

	FY11	FY12	FY13
NATIONAL ECONOMIC INDICATORS			
U.S. Real GDP Growth (level annual avg., % year over year)*	2.6	1.7	1.8
U.S. Inflation Rate (CPI, annual avg., % year over year)**	2.2	2.3	2.3
Federal Funds Rate (%)	0.2	0.1	0.1
NEW MEXICO LABOR MARKET AND INCOME DATA			
NM Non-Agricultural Employment Growth (%)	(0.3)	0.7	1.0
NM Personal Income Growth (%)***	4.5	4.2	3.1
NM Private Wages and Salaries Growth (%)	2.6	2.6	2.8
CRUDE OIL AND NATURAL GAS OUTLOOK			
NM Oil Price ($ per barrel)	$84.60	$86.75	$87.75
NM Taxable Oil Volumes (million barrels)	68.8	69.5	68.9
NM Gas Price ($ per thousand cubic feet)****	$5.50	$5.20	$5.60
NM Taxable Gas Volumes (billion cubic feet)	1,239	1,173	1,188

*Real GDP is BEA chained 2005 dollars, billions, annual rate.
**CPI is all urban, BLS 1982-84 = 1.00 base.
***Personal income growth rates are for the calendar year in which each fiscal year begins.
****Gas prices are estimated using a formula of NYMEX, EIA and Global Insight future prices as well as liquid premium based on oil prices.

Sources: November IHS Global Insight, BBER FOR-UNM revised

Oil and Gas



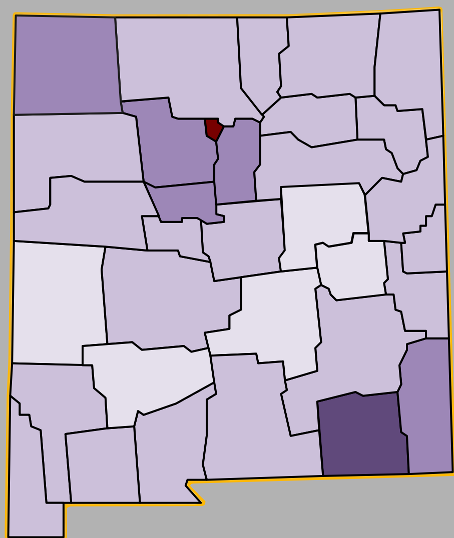
Source: Legislative Finance Committee

► In FY11, New Mexico produced 1,245 billion cubic feet (bcf) of natural gas, including 153 bcf of natural gas liquids. This is approximately 4.5% less than in FY10. The average price of natural gas in FY11 was $5.49 per thousand cubic feet (mcf), which represents an increase of 5.8% year over year. New Mexico natural gas received a liquids premium over dry gas price of $1.46/mcf in FY11.

► Based on preliminary data through April 2012, natural gas volumes are expected to exceed 1,200 bcf in FY12. Natural gas prices are projected to be $5.20/mcf. The average FY12 price of gas from July 2011 through April 2012 is $5.30/mcf. This price is expected to drop as monthly prices decline. Natural gas prices dropped due to a warm winter and increased supplies from productivity improvements. A $0.10/mcf change in natural gas prices changes general fund revenue by $10 million. Premiums paid for liquid gas, which tend to trend with oil prices, continue to pull ONGARD prices above dry gas price forecasts. The liquid gas price differential was about $1.90/mcf from July 2011 through April 2012.

► FY12 oil prices were forecasted in December 2011 to be $86.75 per barrel, while volumes were projected at 69.5 million barrels. The average oil price from July 2011 through April 2012 of $91.39 has exceeded the projected price, and volumes are also expected to increase to 10% above FY11. Despite high prices, a sluggish world economy and the European debt crisis continue to add uncertainty to New Mexico oil prices and production.

Average Wage per Job by County 2010



Average Wage per Job		
Los Alamos	$73,999	$60,000 and greater
Eddy	$50,835	$50,000 to $59,999
Lea	$44,584	$40,000 to $49,999
Bernalillo	$42,303	
San Juan	$42,200	
Sandoval	$41,700	
Santa Fe	$40,771	
New Mexico	$40,199	
Curry	$37,515	$30,000 to $39,999
Otero	$37,375	
Hidalgo	$36,619	
Doña Ana	$35,197	
Cibola	$33,993	
Grant	$33,285	
Socorro	$33,026	
Chaves	$32,706	
Luna	$32,690	
McKinley	$32,364	
Colfax	$31,334	
Rio Arriba	$30,954	
Quay	$30,769	
Torrance	$30,642	
Valencia	$30,625	
San Miguel	$30,521	
Roosevelt	$30,345	
Taos	$30,263	
Union	$30,182	
Mora	$30,120	
Harding	$30,059	
Lincoln	$29,629	LESS THAN $30,000
Catron	$29,561	
Guadalupe	$28,783	
Sierra	$28,521	
De Baca	$26,789	

Ratio of Incomes of Top Fifth and Bottom Fifth of Families 2004-2006 (in 2005 dollars)

		AVERAGE INCOME		
State	Rank	Bottom Fifth of Families	Top Fifth of Families	Top-to-Bottom Ratio
New York	1	17,107	148,192	8.7
Alabama	2	13,280	112,804	8.5
Mississippi	3	14,205	117,454	8.3
Massachusetts	4	20,609	168,991	8.2
Tennessee	5	14,129	114,396	8.1
New Mexico	6	14,798	118,608	8.0
Connecticut	7	21,133	169,378	8.0
California	8	18,312	145,358	7.9
Texas	9	16,088	126,658	7.9
Kentucky	10	14,318	110,353	7.7
Total U.S.		**18,116**	**132,131**	**7.3**

Note: Rankings based on unrounded numbers.

Source: Economic Policy Institutes/Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau's Current Population Study.

(Continued from page 1)

among the bottom 20%. The top-to-bottom ratio nationally was 7.3, with an average income of $132,131 among the top 20% of families and $18,116 among the bottom 20%. Not surprisingly, New Mexico's average income for both groups is substantially lower than the nation's.

This study attributes the income gap in large part to stagnation of wages (which make up about three-fourths of family income) among lower-skilled workers due to long periods of high unemployment, globalization, the shrinkage of manufacturing jobs and the expansion of low-wage service jobs. Many of these factors are present in New Mexico's economy.

Wage Disparity Among New Mexico Counties

Average annual wages also vary widely by county across New Mexico, as illustrated in the graph at left. Los Alamos County tops the list, with an average of $73,999 per year paid for jobs in that county, primarily at Los Alamos National Laboratory. Jobs in De Baca County pay the least, at an average of $26,789 per year. Eddy, Lea and San Juan counties show the impact of relatively high pay in petroleum-related jobs. Wages in Bernalillo County are boosted by federal spending on defense, Sandia National Laboratories and the presence of the University of New Mexico.

The average wage for a job in New Mexico during 2010 was $40,199.

NEW MEXICO ECONOMIC SUMMARY
IS A JOINT PUBLICATION OF THE
NEW MEXICO LEGISLATIVE COUNCIL SERVICE
AND THE LEGISLATIVE FINANCE COMMITTEE
WWW.NMLEGIS.GOV; 202.190155